

DRAFT

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
Item 29 I. D. #5059
ENERGY DIVISION **RESOLUTION E-3956**
December 1, 2005

R E S O L U T I O N

Resolution E-3956. Pacific Gas and Electric Company (PG&E) submits electric tariff revisions to recover balances in balancing accounts, establish the Energy Recovery Bonds Balancing Account revenue requirement, and consolidate changes to electric rates effective January 1, 2006. Approved with modifications.

By Advice Letter 2706-E filed September 1, 2005.

SUMMARY

PG&E's proposal to revise electric rates effective January 1, 2006 to recover balancing account balances, establish the Energy Recovery Bonds Balancing Account revenue requirement (which replaces the Regulatory Asset Revenue Adjustment Mechanism), and consolidate authorized rate changes, is approved with the following modifications:

- Balances in balancing accounts authorized for recovery in rates shall be subject to future audit, verification, and adjustment as necessary.
- In addition to recovering balances in accounts previously authorized in Resolution E-3906, PG&E is authorized to recover balances in the California Alternate Rates for Energy Account (CARE), the Energy Recovery Bonds Balancing Account (ERBBA) which replaces the Regulatory Asset Rate Adjustment Mechanism (RARAM) as authorized in D.04-11-015, the Electric Vehicle Balancing Account (EVBA), the Family Energy Rate Assistance Program (FERABA), and the Affiliate Transfer Fees Account (ATFA). PG&E shall revise its tariffs for these accounts to specify that disposition of the accounts shall be done in the Annual Electric True-Up (AET) advice letter.

- PG&E may recover in rates balances recorded in the Self-Generation Program Memorandum Account (SGPMA) through October 31, 2004, as these balances have been verified as addressed in Resolution E-3944. Before it may recover balances recorded in the SGPMA after October 31, 2004, PG&E must make a separate request for the Commission to review those balances and authorize their recovery in rates.
- PG&E's request to recover its forecasted electric self-generation incentive program costs for 2006 is denied without prejudice pending Commission review of PG&E's proposal to modify the SGPMA to allow it to establish an authorized forecasted revenue requirement.
- If a proposed settlement agreement in Phase 2 of PG&E's test year 2003 GRC (A.04-06-024) which would eliminate the Residential Generation Revenue Memorandum Account (RGRMA) is not approved prior to the effective date of new rates addressed in this Resolution, PG&E shall continue to track revenues in that account collected through increasing generation rates for residential usage above 130% of baseline, to recover the shortfall resulting from the requirements of Section 80110 of the Water Code.

PG&E estimates in AL 2706-E that its 2006 revenue requirement increase request will be \$599 million, which includes a \$256 million decrease in rates authorized by the Federal Energy Regulatory Commission (FERC).

PG&E estimates that electric rates will increase by about \$855 million in 2006 resulting from changes authorized by the California Public Utilities Commission (Commission or CPUC). The FERC-authorized changes result in a decrease of about \$256 million, resulting in a net \$599 million increase.

PG&E shall revise the estimate to reflect actual changes authorized by the Commission and FERC prior to the end of 2005.

PG&E will supplement AL 2706-E before the end of 2005 to reflect the actual rate changes authorized by the Commission in various proceedings and advice letters, and actual changes authorized by the FERC. The supplement to AL 2706-E will also incorporate updated balances to accounts to be amortized in rates on January 1, 2006. The rates PG&E files in its supplemental advice letter will be reviewed for compliance after the January 1, 2006 effective date. If any rates filed

in the supplement are not in compliance with this order, PG&E shall modify rates as required and make necessary billing adjustments.

The rate changes which are authorized by FERC and subject to refund are just and reasonable.

BACKGROUND

PG&E proposed in AL 2570-E to amortize for recovery the balances in various balancing accounts, establish the 2005 Regulatory Asset Rate Adjustment Mechanism (RARAM) revenue requirement, and consolidate rate changes effective January 1, 2005.

PG&E proposed that balances in the RARAM, the Distribution Revenue Adjustment Mechanism (DRAM), the Public Purpose Program Revenue Adjustment Mechanism (PPPRAM), the Nuclear Decommissioning Adjustment Mechanism (NDAM) the Utility Generation Balancing Account (UGBA), the Electric Reimbursable Fees Balancing Account (ERFBA), the Power Charge Collection Balancing Account (PCCBA), the Rate Reduction Bond Memorandum Account (RRBMA), the Hazardous Substance Mechanism (HSM), and the Streamlining Residual Account (SRA) be approved for recovery.

All of these regulatory accounts with the exception of the HSM (established pursuant to D.94-05-020) and SRA (established pursuant to Resolution E-3514) were addressed by Resolution E-3862. PG&E proposed that an annual true-up advice letter be the vehicle to true-up these balances in accordance with D.04-02-062, Advice Letter 2460-E-A, and Resolution E-3862. D.04-02-062 authorized PG&E to implement its post-rate freeze ratemaking mechanisms to ensure that overcollections and undercollections in various accounts are “trued up” in future rates.

D.03-12-035 approved the Modified Settlement Agreement (MSA), which adopted the mechanism to change the annual revenue requirement for the Regulatory Asset included in the MSA. PG&E proposed that advice letter 2570-E be the vehicle for compliance with the provision.

AL-2570 included tables showing account balances requested for recovery as recorded through August 31, 2004, and proposed that a supplement to AL 2570-E be submitted in December to fully amortize end-of-November 2004 recorded balances, in order to effect and consolidate rate changes as of January 1, 2005.

In response to Advice Letter 2570-E, Resolution E-3906 approved the recovery of balances in balancing accounts, established the RARAM revenue requirement and approved consolidated changes to electric rates effective January 1, 2005, with modifications.

Recovery of balances in all of these accounts was approved by Resolution E-3906. Resolution E-3906 required that these balances be subject to future audit, verification, and adjustment as necessary. PG&E complied by submitting supplemental AL 2570-E-A, with recorded balances through November 30, 2004, to consolidate electric rate tariffs January 1, 2005. In compliance with Resolution E-3906, PG&E set its 2005 RARAM revenue requirement using the rate of return adopted in D.04-12-047. PG&E recalculated its 2004 RA to reflect the change in the 2004 cost of capital, and recalculated its 2005 RA revenue requirement using the reset 2004 revenue requirement as a starting point. PG&E then used the 2005 cost of capital components from D.04-12-047 to develop its 2005 RA revenue requirement.

Advice Letter 2706-E complied with Resolution E-3906, in submitting previously approved balancing accounts for cost recovery by September 1, 2005 for rates effective January 1, 2006.

In addition to requesting in AL 2706-E recovery of balances previously approved in Resolution E-3906, PG&E also requests recovery of balances in the CAREA, the ERBBA, the EVBA, the FERABA, the ATFA, and the SGPMA. Pursuant to D.04-11-015, the ERBBA replaced the RARAM.

Resolution E-3944 authorized PG&E to recover in electric rates balances recorded in the electric SGPMA through October 31, 2004. D.05-06-029 authorized PG&E to recover in gas rates balances in the gas SGPMA after the reasonableness of the amounts recorded in the account have been reviewed by the Commission.

D.01-03-073 required PG&E to allocate costs for the Self Generation Incentive Program (SGIP) between gas and electric customers based on the allocation of energy efficiency programs between those customers. PG&E records electric SGIP costs in its electric SGPMA, and gas SGIP costs in its gas SGPMA. Resolution E-3944, addressing PG&E's AL 2580-E authorized PG&E to recover \$35.6 million recorded in the electric account through October 31, 2004.

D.05-06-029 in A.04-07-044, PG&E's biennial gas cost allocation proceeding, authorized PG&E to apply for recovery of gas SGIP expenses recorded in the gas SPGMA in an advice letter. That decision accepted PG&E's gas SGIP costs for the funding period addressed by the decision noting that ORA has reviewed the accounts. D.05-06-029 also states that recovery of gas related expenses in future periods will only be authorized after the reasonableness of those funds have been reviewed by the Commission, either in the SGIP proceeding, R.04-03-017 or as part of the advice letter process.

PG&E estimates in AL 2706-E a consolidated revenue requirement increase for 2006 of \$599 million; of this amount, \$855 million is related to Commission-authorized cost increases; this is offset by a \$256 million decrease related to FERC-authorized costs.

In AL 2706-E PG&E provided illustrative rates based on balancing account balances as of July 31, 2005, and revenue requirement requests filed in the applications and advice letters pending before the Commission. The total annual revenue requirement increase for 2006 reflecting these illustrative rates is approximately \$599 million. A breakdown of the components of the annual revenue requirement increase estimated in AL 2706-E is as follows:

- Estimated CPUC-Authorized 2005 increase: \$855 million
 - ERRA and Ongoing CTC: -\$236 million
 - DWR Bond and Power Charges (including PCCBA): \$435 million
 - Utility Retained Generation/UGBA: \$345 million
 - Self-Generation: \$143 million
 - Distribution/DRAM: \$90 million
 - Demand Response/AMDRA: \$70 million
 - Energy Recovery Bonds including ERBBA revenue requirement and Rate Reduction Bonds (RRBs): -\$137 million
 - Public Purpose Programs/PPPRAM/CAREA; \$63 million
 - Headroom Account: \$87 million
 - Other: -\$5 million
- Estimated FERC-Authorized 2006 decrease: \$256 million
 - Reliability Services: -\$227 million
 - Transmission Revenue Adjustment: -\$29 million

PG&E proposes to supplement AL 2706-E prior to January 1, 2006 to incorporate updated balancing account balances and the revenue requirement changes approved by the Commission and FERC.

PG&E proposes to supplement the AL prior to the end of 2005 to incorporate balancing account balances recorded as of November 30, 2005, and the revenue requirement changes authorized by the Commission and FERC by the end of the year. The supplemental AL would include the new rates and revised tariffs to become effective on January 1, 2006.

NOTICE

Notice of AL 2706-E was made by publication in the Commission's Daily Calendar. PG&E states that a copy of the Advice Letter was mailed and distributed in accordance with Section III-G of General Order 96-A, and served on parties to A.99-03-039, A.00-11-038, A.02-03-020, A.02-11-017, A.04-06-024, A.04-07-032, A.05-03-016, A.05-05-006, A.05-06-004, A.05-06-005, A.05-06-006, and A.05-06-007.

PROTESTS

Merced and Modesto Irrigation Districts (MMID) filed a timely protest to AL 2706-E on September 20, 2005.

MMID filed the protest due to previous claims by PG&E that such failure constituted a waiver to protest any later advice letter. MMID takes issue with PG&E's advice letter treatment of Ongoing Competition Transition Charges (OCTC) to be collected from Municipal Departing Load (MDL) customers. MMID also takes issue with PG&E's plans to supplement another advice letter (AL 2650-E) by proposing the billing of CTC owing from past periods to departing load customers, and further states that the revenue requirement as shown in AL 2706-E is in error. Finally, MMID states that CTC was substantially overcollected in 2004, which calls for credits or refunds to be factored into the 2006 OCTC revenue requirement.

PG&E responded that only actual outcomes of pending proceedings and advice letters authorized by the Commission by year-end will be included in PG&E's supplement to its Annual Electric-True-up advice filings. PG&E further

responded that MMID's issues with the treatment and disposition of the OCTC, along with over- or undercollected balances and credits or refunds are not appropriate for consideration in this advice letter, and should be addressed through the 2006 Energy Resource Recovery Account (ERRA) application (A.05-06-007), within which the OCTC is determined.

DISCUSSION

MMID's protest is denied without prejudice.

The Commission denies without prejudice MMID's protest of AL 2706-E. All of the issues described above should be determined through disposition of the 2006 ERRA or other proceedings. The supplement to AL 2706-E, to be submitted by PG&E in December by order of this Resolution, will only reflect the current Commission authorized OCTC revenue requirement. Today's resolution authorizes only the recovery of charges for MDL customers resulting from Commission orders issued in other cases prior to the end of 2005. We do not authorize PG&E to implement any charges or make any accounting changes affecting MDL customers that are not approved by other Commission orders prior to the end of 2005. This resolution does not prejudge any issue affecting MDL customers pending in any Commission proceedings or in other advice letters.

PG&E shall reflect in rates all Commission and FERC-authorized revenue requirement changes approved before the end of 2005 through a supplemental advice letter.

Consistent with the procedure followed in Resolution E-3906, we shall allow PG&E to supplement AL 2706-E prior to December 31, 2005 to reflect the revenue requirements authorized by the Commission in various proceedings and advice letters. We authorize PG&E to make the rates filed in the supplemental advice letter effective on January 1, 2006. The rates filed in this supplement will be reviewed by Energy Division after January 1, 2006. It is possible that after the new rates become effective Energy Division or a party reviewing the supplement may discover compliance issues that require modification of rates filed in the supplement. In that event, PG&E shall modify the rates as required and re bill customers if necessary, or make other appropriate adjustments in a timely manner.

Pending CPUC proceedings and advice letters will affect the calculation of the amounts approved for recovery. In its supplement to AL 2706-E PG&E shall reflect revenue requirements approved before the end of 2005, and shall update balances in balancing accounts approved for recovery by this Resolution.

PG&E is authorized to incorporate revenue requirement changes resulting from decisions issued by December 31, 2005, in the following proceedings:

- Cost of Capital (COC) proceeding, A.05-05-006
- Energy Resource Recovery Account (ERRA) and Ongoing Competition Transition Charge (CTC), A.05-06-007
- Public Purpose Programs (PPP) –Low Income Energy Efficiency (LIEE); and California Alternate Rates for Energy (CARE) Administration, A.05-06-005
- Energy Efficiency (EE) and Procurement Energy Efficiency (Procurement EE), A.05-06-004
- Annual Earnings Assessment Proceeding (AEAP), A.00-05-004
- 2006 DWR Bond Charge Revenue Requirement, A.00-11-038
- 2006 DWR Power Charge Revenue Requirement, A.00-11-038
- 2006 Dedicated Rate Component (DRC) revenue requirement, I.02-04-026
- Demand Response (DR), A.05-06-006
- Catastrophic Event Memorandum Account (CEMA) application, A.05-09-001
- Pension Application; Pending a decision on PG&E's July 2005 petition to modify D.04-05-055 in A.02-11-017 addressing contributions to employee pension trust beginning in 2006.

PG&E is also authorized to incorporate in rates revenue requirement changes resulting from the advice letters listed below that are made effective by December 31, 2005:

- Headroom Account, AL 2521-E
- DRC, AL 2709-E and 2709-E-A
- 2006 Attrition (pending an October-issued AL)
- Fixed Transition Amount (FTA) (pending a December-issued AL)
- Advanced Metering and Demand Response Memorandum Account (AMDRA) AL-2701-E

PG&E should be allowed to amortize balances in accounts previously authorized by Resolution E-3906 for recovery through the AET advice letter.

This resolution also allows the following accounts to be amortized through the same advice letter process allowed by Resolution E-3906: The DRAM, PPPRAM, NDAM, UGBA, ERFBA, PCCBA, RRBMA (to be amortized over two years), HSM and the SRA.

PG&E is authorized to recover balances in the CAREA, ERBBA, EVBA, FERABA, and ATFA accounts.

We have reviewed each account's preliminary statement and related advice letters and Commission orders. The CAREA balancing account records the California Alternate Rates for Energy (CARE) program revenue shortfall associated with the Low-Income Ratepayer Assistance program, CARE program administrative costs, and revenues received through the CARE component of the public purpose charge. In D.02-09-021 the Commission approved PG&E's AL 2175-E authorizing recovery of all reasonable administrative costs associated with implementation of the CARE program through a balancing account mechanism. PG&E may recover CAREA balances through the AET AL subject to audit, verification, and review of the account.

The ERBBA records the benefits and costs associated with Energy Recovery Bonds (ERBs) that are not provided to customers elsewhere and return the benefits or charges the costs to customers. It has replaced the Regulatory Asset Revenue Adjustment Mechanism (RARAM). Since the RARAM was amortized by last year's AET advice letter it is appropriate to amortize the ERBBA through AL 2706-E.

Through AL 2520-E effective January 1, 2003, and in compliance with D.03-10-086, the EVBA records in a one-way balancing account all revenue from customers receiving service under all electric vehicle rate schedules (EV) and PG&E's EV program expenses, not to exceed the amount authorized by the CPUC, and not included as part of the revenue requirement authorized in PG&E's General Rate Case(s) (GRCs) as of January 1, 2003. As a one-way balancing account, if recorded expenses do not meet the allowed forecast expense, the unspent amount is returned to ratepayers; however, if expenses exceed the allowed forecast expense, the amount by which expenses exceed the allowed forecast is not recoverable through rates. Recorded expenses up to the amount allowed in the EVBA program forecast should be recovered through rates in this AET AL.

The FERABA records revenue shortfalls and program administrative costs for the large household program (also called the Family Electric Rate Assistance (FERA) program) approved by D.04-02-057. The FERA program exempts program participants from paying additional charges when consuming electricity in tier 3 residential rates (130% to 200% of baseline). The FERABA balance should be recovered in rates through the AET AL.

The ATFA records employee transfer fees paid to PG&E by its holding company and affiliates for future ratemaking treatment to ensure that PG&E's customers receive the fees, in compliance with AL 1891-E and pursuant to D.96-11-017. In order for the benefits of this yearly balance to accrue to PG&E's customers, the balance in the ATFA should be recovered through the AET AL.

The balances in all accounts authorized for recovery in rates are subject to audit, verification, and adjustment as necessary.

The balances in the accounts authorized for recovery by this resolution are subject to future review, verification, and adjustment if necessary by the Commission.

PG&E should be allowed to recover \$35.6 million in the electric SPGMA recorded through October 31, 2004 as authorized by Res. E-3944.

On July 21, 2005, Resolution E-3944 approved PG&E's request to recover \$35,649,692 in SGPMA cost balances recorded through October 31, 2004. The SPGMA was designed to track SGIP costs paid to qualifying distributed generation projects in compliance with Assembly Bill (AB) 970. The Commission originally authorized funding for SGIP until December 31, 2004. AB 1685 extended the SGIP until January 1, 2008.

PG&E filed AL 2580-E on November 5, 2004, requesting Commission review and approval of the program cost balance through October 31, 2004. While the costs of the self-generation program are almost completely attributed to commercial and industrial customers, D.01-03-073 directed that all utility customers (both gas and electric) obtain environmental benefits from self-generation and should share the cost associated with the program. Resolution E-3944 ordered that the SGPMA balance recorded through October 31, 2004 could be recovered in either PG&E's 2005 or 2006 annual electric true-up for recovery in electric rates.

PG&E must make a separate request to recover balances in the electric SPGMA for any balances recorded after October 31, 2004.

PG&E has not yet requested recovery of costs recorded in the SGPMA after October 31, 2004. Resolution E-3944 only addressed SGPMA cost balances recorded until that date. Recorded and forecasted balances from November 1, 2004 through the end of 2005 equal approximately \$60.5 million. Generally costs recorded in a memorandum account are subject to further Commission review before being determined recoverable through rates; whether or not there should be a formal reasonableness review should be determined by the Commission. Consistent with D.05-06-029 and Resolution E-3944 we will consider recovery of costs recorded in this memorandum account after October 31, 2004 in a subsequent request. PG&E should make a separate request for recovery of the electric SGPMA balance recorded after October 31, 2004. This balance is not recoverable through rates authorized by this resolution.

PG&E's request to establish a forecast revenue requirement for 2006 for the electric SGIP is denied without prejudice, pending CPUC review of a separate request by PG&E.

In a footnote in AL 2706-E, PG&E forecasts 2006 SGIP program costs to be \$55 million, of which 84 percent or \$46.2 million will be allocated to electric customers. PG&E has included the electric portion of forecasted 2006 SGIP costs in its estimated 2006 revenue requirement presented in Table 2 of the advice letter. PG&E states in the footnote that it intends to file a separate advice letter, requesting to modify the SGPMA preliminary statement to recognize the accounting procedures necessary to track the 2006 revenue against 2006 SGIP costs.

We deny without prejudice PG&E's request to establish a 2006 revenue requirement for the SGIP/SGPMA through AL 2706-E. Currently PG&E records program costs in the SGPMA and requests recovery of those costs after they have been reviewed by the Commission, e.g., as addressed in Resolution E-3944. PG&E apparently intends to request that the Commission establish a forecasted SGIP revenue requirement, and record the revenue requirement, in addition to program costs in its account. This is a major change in electric SGIP cost recovery which should be addressed separately by the Commission. We will not presume here that such a change will be implemented prior to the end of 2005.

Unless the Residential Generation Revenue Memorandum Account (RGRMA) is eliminated by a decision in A.04-06-024 prior to the effective date of new rates authorized by this Resolution, PG&E shall continue to track revenues in the RGRMA.

Resolution E-3906 (O.P.5) ordered PG&E to establish an account to track the revenues allocated to the upper tiers of residential generation rates associated with adjusting rates for residential usage below 130% of baseline to comply with AB1X, beginning January 1, 2005. PG&E tracks these revenues in the RGRMA. A footnote on page 24 of AL 2706-E states that Resolution E-3930 requires tracking of amounts that are collected in residential rates for usage in excess of 130 percent that would have been allocated to increase rates for usage less than 130 percent of baseline, but for the requirements of AB 1X. If the Commission approves a settlement in Phase 2 of PG&E's 2003 general rate case, A.04-06-024, this issue is resolved and no further tracking will be required, and the account will be eliminated. If the Commission does not approve that settlement before the date on which new rates become effective pursuant to this resolution, PG&E shall continue to track revenues in the RGRMA.

FERC-authorized revenue requirements are just and reasonable.

Under the filed rate doctrine, the Commission is generally obligated to pass through FERC-authorized rates to PG&E's customers. It is just and reasonable for PG&E to implement all rate changes referenced in AL 2706-E that are subject to approval by FERC, when FERC makes those new rates effective subject to refund to the same extent as at the FERC. It is reasonable and makes administrative sense that all Commission- and FERC-authorized rates should be consolidated for the purpose of this filing, effective January 1, 2006.

COMMENTS

Public Utilities Code section 311(g)(1) provides that a draft resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Accordingly, this draft resolution was issued to parties for comments no later than 30 days prior to being considered by the Commission.

FINDINGS

1. Resolution E-3906 directed PG&E to file an Advice Letter by September 1 of each year to amortize various balancing account balances in electric rates, for rates effective January 1 of the following year.
2. PG&E filed AL 2706-E on September 1, 2005, proposing to establish 2006 electric rates to recover balances in these authorized balancing accounts, establish the 2006 Energy Recovery Bonds Balancing Account (ERBBA) revenue requirement, and consolidate Commission- and FERC-authorized rate changes effective January 1, 2006.
3. AL 2706-E was protested by MMID on September 20, 2005.
4. According to the filed rate doctrine the Commission is obligated to allow PG&E to recover FERC-authorized costs for reliability services, transmission access, transmission revenue adjustments, and end use customer refunds.
5. It is just and reasonable for PG&E to begin recovering in rates, FERC-authorized revenues addressed in AL 2706-E, on the date that FERC makes rates effective to recover those revenues.
6. PG&E should consolidate in rates effective January 1, 2006 amortization of balances recorded as of November 30, 2005, in the ERBBA, as D.04-11-015 established that the ERBBA succeeds the RARAM.
7. PG&E should consolidate in rates effective January 1, 2006 amortization of balances recorded as of November 30, 2005 in the CAREA, EVBA, FERABA, and ATFA.
8. PG&E should reflect in rates the revenue requirement changes approved in formal Commission and FERC proceedings, and approved in advice letters prior to the end of 2005 as specified in this resolution.
9. PG&E should be allowed to amortize, subject to future review and adjustment if necessary by the Commission, all accounts authorized in the ordering paragraphs of this resolution.

10. PG&E should include in rates effective January 1, 2006 amortization of balances recorded as of October 31, 2004 in the electric SGPMA, as determined by the Commission in Resolution E-3944.
11. The Commission has not yet reviewed balances recorded in the electric SPMGA after October 31, 2004.
12. The Commission has not authorized PG&E to establish a 2006 electric SGIP revenue requirement.
13. PG&E should discontinue tracking revenues in the RGRMA, if a decision in A.04-06-024 allows it do so prior to the effective date of new rates authorized by this resolution.
14. PG&E should supplement AL 2706-E before the end of 2005 to reflect the revenue requirement changes actually authorized by the Commission and FERC prior to the end of 2005, and to update balances in accounts to be amortized on January 1, 2006. The updated balances, revenues, and rates should be subject to future adjustment pending review of the supplement to AL 2706-E by Commission staff.
15. The balances in all accounts authorized for recovery by this Resolution other than the electric SPGMA balances recorded through October 31, 2004 should be subject to future review by the Commission. PG&E should seek future recovery of balances in these accounts by advice letter filed no later than September 1 for rates effective on January 1 of the following year.
16. PG&E should update its estimate of the 2006 ERBBA revenue requirement filed in AL 2706-E using the return on equity adopted by the Commission in A.05-05-006.
17. This resolution does not prejudice any issue affecting MDL customers pending in any proceedings or other advice letters.

THEREFORE IT IS ORDERED THAT:

1. The request of PG&E in Advice Letter AL 2706-E is approved with modifications.

2. The rates authorized by this resolution shall be subject to refund to the same extent that they are subject to refund at the FERC.
3. No later than December 30, 2005, PG&E shall file a supplement to AL 2706-E with revised tariffs. The supplemental filing shall be effective on January 1, 2006 subject to Energy Division determining that it is in compliance with this resolution. The supplement shall do the following:
 - a. Amortize over one year in rates the balances recorded as of October 31, 2004 in the electric SPGMA;
 - b. Amortize over one year balances recorded in the following accounts as of November 30, 2005: DRAM, PPPRAM, NDAM, UGBA, ERFBA, PCCBA, HSM, SRA, CAREA, ERBBA, EVBA, FERABA, and ATFA.
 - c. Amortize over two years the amounts recorded in the RRBMA;
 - d. These balances are subject to review, verification, and adjustment if necessary by the Commission;
 - e. Reflect in rates the ERBBA revenue requirement using the most recent Commission adopted rate of return;
 - f. Reflect in rates all Commission and FERC-authorized revenue requirement changes approved before the end of 2005 as specified in this resolution.
4. If PG&E requests amortization of future balances in the CAREA, EVBA, FERABA, and/or ATFA by advice letter for rates effective January 1, it shall file the advice letter no later than September 1 of the year prior to when rates become effective. The advice letter shall reflect balances recorded as of July 31 of the year in which the advice letter is filed, and the estimated balances for August through December of that year.
5. PG&E shall file an advice letter within 45 days of today's date to modify its tariffs addressing the CAREA, EVBA, FERABA, and ATFA to indicate that disposition of balances in these accounts shall be done through the advice letter process.
6. PG&E shall file a separate request for approval of recovery of electric SGPMA balances recorded after October 31, 2004.
7. PG&E's request to establish an electric SGIP revenue requirement for 2006 is denied without prejudice.

8. PG&E shall continue to track revenues in the RGRMA unless a decision in A.04-06-024 authorizes it to eliminate that account prior to the effective date of new rates authorized by this resolution.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on December 1, 2005, the following Commissioners voting favorably thereon:

STEVE LARSON
Executive Director

ID#5059

November 1, 2005

Commission Meeting Date: December 1, 2005

TO: PARTIES INTERESTED IN PG&E's ANNUAL ELECTRIC TRUE-UP (AET)
Advice Letter 2706-E

Enclosed is draft Resolution E-3956 of the Energy Division. It addresses PG&E's request for the CPUC to allow full recovery of costs for several accounts through their AET. The draft Resolution will be on the agenda at the December 1, 2005 Commission meeting. The Commission may then vote on this draft Resolution, or it may postpone a vote until later.

When the Commission votes on a draft Resolution, it may adopt all or part of it as written, amend, modify or set it aside and prepare a different Resolution. Only when the Commission acts does the Resolution become binding on the parties.

Parties may submit comments on the draft Resolution.

An original and two copies of the comments, with a certificate of service, should be submitted to:

Jerry Royer
Energy Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Fax: 415-703-2200; jjr@cpuc.ca.gov

A copy of the comments should be submitted by electronic mail to Felix Robles in the Energy Division at: fvr@cpuc.ca.gov.

Any comments on the draft Resolution must be received by the Energy Division by November 16, 2005. Those submitting comments must serve a copy of their comments on 1) the entire service list attached to this letter, 2) all Commissioners, and 3) the Director of the Energy Division, on the same date that the comments are submitted to the Energy Division. Comments may be submitted electronically.

Comments shall be limited to five pages in length, and list the recommended changes to the draft Resolution. Comments shall focus on factual, legal or technical errors in the proposed draft Resolution. Comments that merely

reargue positions taken in the advice letter or protests will be accorded no weight and are not to be submitted.

Replies to comments on the draft resolution may be submitted (i.e. received by the Energy Division) on November 21, 2005, and shall be limited to identifying misrepresentations of law or fact contained in the comments of other parties. Replies shall not exceed five pages in length and shall be served as set forth above for comments.

Late submitted comments or replies will not be considered.

Gurbux Kahlon
Program Manager
Energy Division

Enclosures:

Certificate of Service

Service List

CERTIFICATE OF SERVICE

I certify that I have by mail this day served a true copy of Draft Resolution E-3956 on all parties in these filings or their attorneys as shown on the attached list.

Dated November 1, 2005 at San Francisco, California.

Jerry Royer

NOTICE

Parties should notify the Energy Division, Public Utilities
Commission, 505 Van Ness Avenue, Room 4002
San Francisco, CA 94102, of any change of address to
insure that they continue to receive documents. You
must indicate the Resolution number on the service list
on which your name appears.

Service List

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